



New Jersey  
State Health Benefits Program

Dental Plans

Plan Year 2007 Renewal Recommendations

January 1, 2007 – December 31, 2007

Prepared by Aon Consulting

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## **Executive Summary**

The purpose of this report is to review the experience of the Dental Plans offered through the New Jersey State Health Benefits Program (SHBP) to State Employees and Retirees, as well as Employees and Retirees of participating Local Employers, and recommend premium levels to support the Dental Plans for Plan Year 2007.

Rate renewal recommendation reports on the SHBP Medical Plans (i.e., NJ PLUS, Traditional Plan, Prescription Drug Plan, and HMOs for the State Employee Group and Local Employer Group) have been submitted to the Division of Pensions and Benefits under separate cover.

The SHBP Dental Plan includes the following options:

- The self-insured Employee Dental Expense Plan, administered by Aetna, which covers State Active Employees and – as of 1/1/05 – participating Active Employees of participating Local Employers;
- The self-insured Retiree Dental Expense Plan, administered by Aetna, which covers – as of January 1, 2005 – State Retirees and Retirees of participating Local Employers; and
- The ten fully-insured Dental Plan Organizations (DPOs), which cover State Active Employees and Active Employees of participating Local Employers.

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**Recommended Renewal Increases**

In total, the SHBP Employee Dental Plans are experiencing claim trends which are lower than industry norms (as compiled through Aon's semi-annual survey of trends among major insurance carriers, managed-care vendors, and dental plans). The Retiree plan is experiencing high trend since it is a new program and many members have not had prior dental coverage. The table below lists the overall recommended increases for Plan Year 2007:

**Renewal Increases for Plan Year 2007**

	<u>SHBP</u>	<u>Norm</u>
Employee Dental Expense	0.0%	7.1%
DPO Average	0.0%	4.8%
Retiree Dental Expense	17.0%	7.1%

Exhibit 1 is a complete listing of the recommended renewal increases for the various components of the Dental Expense Plans (i.e., the State Employee Group, Local Employer Group, and State and Local Retirees) and the ten DPOs. Factors influencing the size of the increases include:

- The Active Employee Dental Expense Plan has experienced very low trends for the past two years, so Plan Years 2005 and 2006 are both projected to have premiums higher than Dental Expense Plan costs.

- The Retiree Dental Expense Plan has three benefit tiers. In Plan Year 2005, 41% of retirees were at the highest benefit level. Plan Year 2007 enrollment projections have 90% of Retirees at the highest benefit level. Thus, the renewal increase for Plan Year 2007 reflects both dental trend and the impact of increasing benefit levels.
- Over the past several years, Active Employee enrollment in the Dental Expense Plan has been increasing about 5% per year, while enrollment in the DPOs has been decreasing slightly. Since the Dental Expense Plan has no increase for Plan Year 2007, any DPO increase will drive more Employees out of the DPOs. Since the DPO cost is half that of the Dental Expense Plan, it is important to maintain DPO enrollment. For that reason, the *average* DPO renewal is set at 0%. Half of the DPO plans requested no increase for Plan Year 2007.

### **Benefit Changes**

In Plan Year 2006, there were no benefit changes under either the Employee Dental Expense Plan or the DPOs; neither are there any contemplated for Plan Year 2007. While some changes to the DPO coverage codes are possible as a result of a procedure code review, the impact of any such modifications on Plan Year 2007 DPO premium rates should be de minimus.

### **Financial Results**

The Employee Dental Expense Plan remains in a surplus position. For Plan Year 2005, favorable experience for the Employee Dental Expense

Plan results in a total gain of \$4.5 million. Plan Year 2006 projections are also favorable, with a total projected gain of \$3.2 million. Freezing the premiums for Plan Year 2007 is projected to result in a gain of \$0.4 million.

The Retiree Dental Expense Plan has a loss of \$1.1 million in Plan Year 2005 and is projected to have a loss of \$0.2 million in Plan Year 2006. Plan Year 2007 renewal rates include a 2% margin, which is projected to result in a gain of \$0.6 million.

Since the DPOs are fully-insured, they are on a no-loss, no-gain basis, so no margin is necessary in their rates.

The table below summarizes the projected gains/losses (in \$ millions) for Plan Years 2005, 2006, and 2007:

	Plan Year <u>2005</u>	Plan Year <u>2006</u>	Plan Year <u>2007</u>
Employee Dental Expense	\$4.5	\$3.2	\$0.4
DPOs	n/a	n/a	n/a
Retiree Dental Expense	(\$1.1)	(\$0.2)	\$0.6
Total	\$3.4	\$3.0	\$1.0

The Employee and Retiree Dental Expense Plans are projected to result in a total gain of \$1.0 million in Plan Year 2007. The Retiree gain reflects the 2% margin which has been included in the renewal calculation. The Employee gain reflects a continuation of the low trends, which the Dental Plan has experienced over the last couple of years.

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### **Administrative Changes**

There are no administrative changes anticipated for the Dental Expense Plan in Plan Year 2007.

### **DPO Offerings**

The DPO offerings currently include ten DPOs. The plan designs are identical, the Employee contributions are the same for each DPO, and many have largely-duplicative service areas and provider networks. Reducing the number of plans would lessen the administrative burden on Division staff and lessen the confusion among employees, with relatively little provider disruption (i.e., Employees having to change providers because their providers are not in any other DPO network), with hopefully minimal migration to the Dental Expense Plan.

While Aon is not recommending a reduction in the number of DPOs for Plan Year 2007, in a separate document we discuss the issues involved with doing so for Plan Year 2008. Briefly, for Plan Year 2008, we are recommending that the SHBP eliminate at least three of their current DPO offerings. When we review the DPOs for the Plan Year 2008 renewal, the following factors will be considered:

- Enrollment growth – DPO members have first-hand experience of dental availability and provider quality, and decreases in DPO enrollment are an indicator that members are not happy with their DPO choice. Therefore, DPOs with declining membership will be considered for termination.

- Value Ratio – This ratio is updated quarterly based on submitted encounter data and measures the frequency and intensity of services provided by the DPOs relative to their premiums. In the latest report, the Value Ratios range from 0.74 to 1.53. DPOs with Value Ratios below 1.00 will be considered for termination.
- Escalated Problems – The Division of Pensions and Benefits has limited resources to deal with administrative issues and escalated problems from DPO members. Therefore, plans with a history of a disproportionate share of problems which must be handled by the Division will be considered for termination.
- Network Size – Some of the DPOs are offered in limited service areas, while others cover the entire state of New Jersey as well as some locations in neighboring states. DPO administration is simplified when a single plan can provide coverage for large service areas, as compared to multiple DPOs with small service areas.
- Network Overlap – Termination recommendations will attempt to minimize provider disruption. Based on the provider listings from each DPO, we will determine how many providers for each DPO are also active in other SHBP DPO offerings.
- Cost – There is a 25% difference in premium levels between the highest and lowest-cost DPOs.



### **DPO Network Expansion**

As summarized below, only 5 of the DPOs are either in New York or willing to expand and only 4 of those 5 are in Eastern Pennsylvania or willing to expand into that area:

<b><i>DPO</i></b>	<b><i>New York</i></b>	<b><i>Eastern PA</i></b>
Aetna	Yes	Yes
Assurant	Yes	Yes
BeneCare	No*	No*
CIGNA	Yes	Yes
Community Dental	No	No
Flagship	Yes**	Yes**
Dental Group NJ	No	No
Group Dental Health	No	No
Healthplex	Yes	No***
Horizon	No	No

\* BeneCare has a small number of providers who maintain offices in Eastern PA (Philadelphia area) and New York (Manhattan), as well as NJ.

\*\* While Flagship does not operate networks in NY or PA, it may be possible to expand into NY and PA through PMI Dental, a subsidiary of Delta Dental of CA.

\*\*\*Healthplex has a limited number of offices in Eastern PA, beyond which they can't expand.

Since there's a willingness to expand on the part of these plans, Aon recommends that the SHBP require expansion for those plans that have the capacity to do so. This would give the DPOs greater exposure and potentially lower Dental Plan costs for the SHBP and for those employees who migrate from the Dental Expense Plan to a DPO.

## **Historical Overview**

### **Benefit Changes**

There were no Dental Expense Plan benefit changes for Active Employees or Retirees for Plan Year 2006, and no changes are anticipated for Plan Year 2007. The DPO plan has had no changes in copays for a number of years, and no changes are anticipated for Plan Year 2007.

The Retiree Dental Expense Plan was offered for the first time on January 1, 2005 and it offers three tiers of dental coverage. Tier One, the lowest level of benefits, applies to Retirees who enroll in Dental without prior Dental Coverage. Tier Three, the highest level of benefits, applies to Retirees who have been in the Retiree Dental Plan for two years or who had Dental coverage prior to enrolling in the Retiree Dental Expense Plan. The table below shows how the distribution of Retiree enrollment among the benefit tiers changes over time:

	Plan Year <u>2005</u>	Plan Year <u>2006</u>	Plan Year <u>2007</u>
Tier One	59%	7%	3%
Tier Two	0%	45%	7%
Tier Three	41%	48%	90%

The Retiree Dental Expense Plan benefits are not as comprehensive as the Employee Dental Plan - Tier Three, the most comprehensive of the three tiers, has lower coinsurance than the Active Dental Plan for both

Basic and Major Restorative Services and the annual maximum is \$1,500, half of the Employee Plan maximum.

### **Eligibility Changes**

Employee Dental Expense Plan and DPO participation was opened on January 1, 2005 to Active Employees of the Local Employer Group. Also on January 1, 2005, Retirees of the State and Local Employer Groups were offered participation in a new Retiree Dental Expense Plan.

### **Enrollment Changes**

Exhibit 2 shows historical enrollment patterns among the SHBP Dental Plan benefit offerings for Plan Years 2004 through 2006 and includes Aon's projection of Plan Year 2007 enrollment. For Active Employees, the projections are based on enrollment patterns over the past couple of years and assume that the same patterns will continue into Plan Year 2007. For Retirees, the initial Plan Year 2005 open enrollment attracted large numbers of Retirees, but future enrollment is open only to new Retirees, so that Plan Year 2005 Retiree enrollment is not a predictor of future Retiree growth; Plan Year 2007 projections are based on Plan Year 2006 Retiree enrollment patterns. Our Plan Year 2007 Dental Program enrollment projections are:

- Employee Dental Expense Plan
  - 60,500 Active Employees of the State Employee Group
  - 900 Active Employees of the Local Employer Group

- DPOs

45,700 Active Employees of the State Employee Group

300 Active Employees of the Local Employer Group

- Retiree Dental Expense Plan

11,400 Retired Employees of the State Employee Group

28,700 Retired Employees of the Local Employer Group

## **Trend Analysis**

### **Dental Expense Plans**

Exhibit 3 presents Aon's trend assumptions for Plan Year 2007 for the Dental Expense Plans. This exhibit compares the actual increase in SHBP Employee Dental Expense Plan average claims for Plan Years 2002 through 2006 with industry norms (based on Aon's Trend Survey) for the same period. SHBP Employee Dental Expense Plan trend varies from 1% to 6% lower than the norms, with Plan Years 2004 and 2005 experiencing very low trend, and Plan Year 2006 experiencing preliminary trends closer to the norm. For Plan Year 2007, Aon is recommending Dental trend of 5.4%, which equals the Dental CPI and is 1.7% lower than the industry norms. Aon used the same trend assumption for both the Employee and Retiree Dental Expense Plans.

### **DPO Plans**

The *average* DPO renewal for Plan Year 2007 is 0%. This is based on:

- The DPO Plans have been losing enrollment to the Dental Expense Plan for several years. Since State Employee contributions are based on the renewal premiums, an increase in DPO premium will increase Employee contributions and thus encourage more DPO Employees to review their dental options and consider moving to the Dental Expense Plan. A zero increase in DPO contributions will help with DPO enrollment retention.
- Half of the DPO plans requested no increase for Plan Year 2007, and one of the DPOs requested a decrease.

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## **Dental Expense Plans Financial Projections**

### **Rating Methodology**

Exhibit 4 shows the development of the Plan Year 2007 projected costs and required renewal increases, separately for each plan: Active Employee Dental Expense Plan for the State and Local Employer Groups, and the Retiree Dental Expense Plan. Costs were projected separately for dental claims, administrative costs, and aggregate premiums. Exhibit 5 lists the assumptions used in projecting dental costs.

### **Dental Claim Projection**

- 1) Using claim data (and claim triangles) supplied by the Aetna, we estimated completed incurred claims for Plan Years 2004, 2005 and for the first four months of 2006.
- 2) Aggregate dental claims for each Plan Year were divided by the average subscribers for that Plan Year to get claims per subscriber. To get average subscribers, we used historical billing enrollment.
- 3) Claims per Subscriber were annualized and then projected to Plan Year 2007 using the trends listed in Exhibit 3.

- 4) For the Retiree Dental Expense Plan, historical claims were adjusted to the Tier Three benefit level and then projected to Plan Year 2007. The Tier Three projected claims were reduced for members in Tiers One and Two, so that the projected Plan Year 2007 Retiree Claims per Subscriber represent a blend of 3% Tier One benefits, 7% Tier Two benefits and 90% Tier Three benefits.
- 5) Aggregate Plan Year 2007 claims are the product of the projected Plan Year 2006 enrollment and the projected Plan Year 2007 claims per subscriber.

### **Administrative Cost Projection**

Administrative Costs charged by Aetna are the actual fees multiplied by the projected enrollment for each year:

#### **Dental Expense Plan ASO Fees PEPM**

	<u>Actives</u>	<u>Retirees</u>
1/2005–3/2005	\$1.62	\$1.52
4/2005–12/2005	\$1.62	\$1.49
1/2006–12/2006	\$1.95	\$1.80
1/2007–12/2007	\$2.01	\$1.85

### **Investment Income**

Investment Income for Plan Year 2005 reflects actual amounts credited to the Dental Plan. Investment Income for Plan Years 2006 and 2007 are the Plan Year 2005 Investment Income per subscriber projected at 3% per year.



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## **Rate Renewal Development**

### **Projected Dental Expense Plan Premiums**

- 1) Projected enrollment was applied to the actual premium tables for Plan Years 2004, 2005 and 2006 to develop the anticipated gain or loss in each of those years.
- 2) To calculate the required premium increase for Plan Year 2007, projected enrollment for Plan Year 2007 was applied to Plan Year 2006 premiums.

### **Required Increase**

- 1) Plan Year 2007 aggregate costs were calculated by summing projected costs for dental claims and administrative charges, reduced by investment income.
- 2) Plan Year 2007 renewal premiums were set to achieve a 2% margin for Retirees. For Active Employees, Plan Year 2006 premiums result in a small gain (less than 1%), so Aon is recommending no rate change for Plan Year 2007.

## **DPO Renewal Evaluation**

The SHBP currently offers ten DPOs. All the DPOs have the same benefits and copay schedules, and many dentists participate in multiple DPOs. While Aon is not recommending a reduction in the number of DPOs for Plan Year 2007, we anticipate that the Plan Year 2008 DPO renewal will recommend that several of the DPOs be terminated. A decrease in the number of DPOs will simplify the administration of the DPO program and should also make the program less confusing for participants, with minimal disruption for Employees. Again, these issues are dealt with in more detail in a separate document. As a first step in evaluating DPOs for termination, we have included the following measurements in our Plan Year 2006 DPO comparisons:

- Change in DPO enrollment over the two most recent years,
- DPO size, since a small DPO requires essentially the same amount of work to administer as a large DPO,
- The amount of provider duplication in the DPO as measured against Aetna's provider network (since Aetna has the highest DPO enrollment), and
- DPO quality as measured by the DPO Value Ratio from Aon's Report on DPO Utilization for the 12-month period January 1, 2005 through December 31, 2005.

The top half of Exhibit 6 lists these four criteria for each DPO.

### **DPO Rate Renewal Development**

The essentially fully-capitated reimbursement arrangements under the DPOs present a unique challenge for underwriting an annual renewal analysis, in that the traditional yardstick of claims and expenses versus premium is not available. The average recommended renewal increase for the DPO plans is 0%. Given the decreasing enrollment in DPO plans, we believe that it is necessary to keep DPO increases consistent with the Dental Expense Plan increase for Plan Year 2007.

Exhibit 6 lists the recommended adjustments to the average renewal increase for each DPO. These adjustments were developed considering the following factors:

- 1) Aon's Report on DPO Utilization Analysis for the 12-month period January 1, 2005 through December 31, 2005. This data was used to assess the quality of the individual DPOs and the extent to which quality should be considered in determining an appropriate increase in the fully-insured premium rates. Plans with a Value Ratio in excess of 1.10 were considered favorably for an additional increase and their factors are highlighted in green. Plans with a Value Ratio lower than 0.90 were considered for a renewal reduction and their factors are highlighted in red.
- 2) Plans perceived by employees to be higher quality. Plans with enrollment increases in excess of 200 employees over the past two years were considered for an additional increase. Plans with

enrollment decreases over the past two years were considered for a renewal reduction.

- 3) Network access is also critical in evaluating DPOs. Some of the DPOs have limited networks and cannot be offered state-wide. Others cover the entire state of NJ as well as some areas in Pennsylvania and New York. DPOs which have providers in 20 or more New Jersey counties were considered for an additional increase. DPOs which have providers in less than 10 counties were considered for a renewal reduction.
- 4) Since Preventive Care is very important for Dental health, we used preventive visits per member as another indicator of plan quality. DPOs with more than 1 preventive visit per member were considered for an additional increase. Plans with less than 0.5 preventive visits per member were considered for a renewal reduction.
- 5) The DPO premiums currently range from 91% to 114% of the average DPO premium. Since all the DPOs are providing the same benefits with the same copays, plans that are more than 5% below the average DPO premium were considered for an additional increase. Plans that were more than 5% above the average DPO premium were considered for a reduction.
- 6) The final factor considered in the renewal recommendation is the premium increase requested by the DPO plan. Plans that requested no increase were not considered for an additional renewal increase.

Most of the plans have some positive and negative indicators in their evaluation, so we are recommending the average (0%) renewal increases for all plans except:

- **Aetna:** Since this plan has a high Value Ratio, increasing enrollment, and dental providers in every county in NJ as well as some locations in Pennsylvania and New York, we are recommending a 2.5% renewal increase. This increase was set to achieve an average increase across all DPOS of 0.0%.
- **Horizon:** Although this plan has both positive and negative indicators in their renewal evaluation, they requested a 5.3% decrease based on plan experience. We recommend that the SHBP accept the plan's renewal analysis.

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### **Plan Year 2007 Premium Rates**

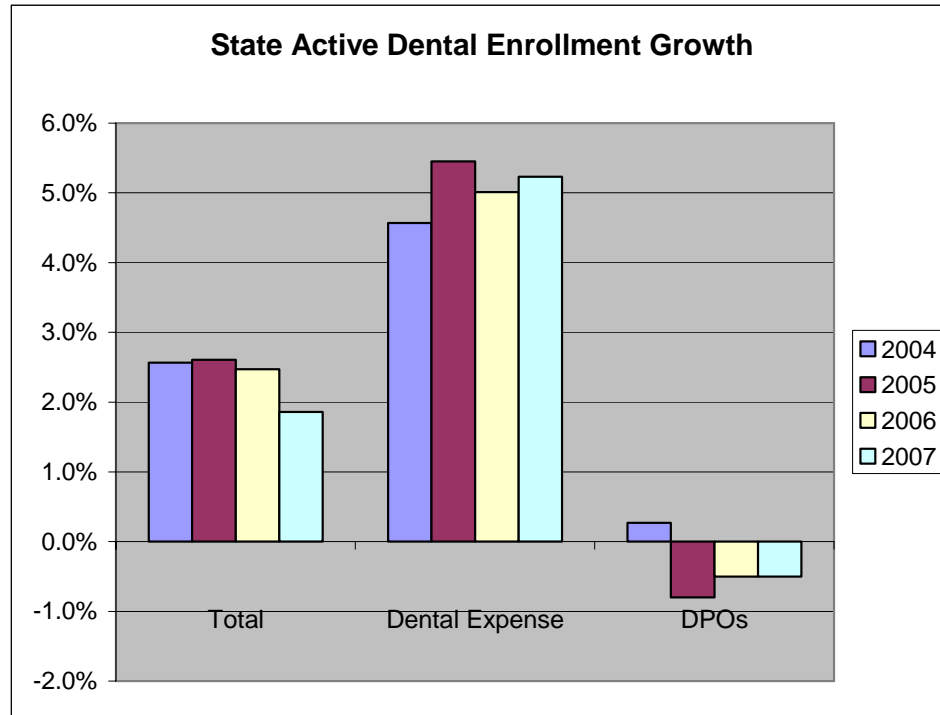
Exhibit 7 contains the premium tables for the Plan Year 2007 Dental Plan renewal. The premiums were calculated by applying the percentages in Exhibit 1 to the Plan Year 2006 premium tables.

**SHBP Plan Year 2007 Dental Renewal**  
**Exhibit 1 - Recommended Renewal Increases**

	<b>Actives</b>	<b>Retirees</b>
<b>Dental Expense Plan</b>	0.0%	17.0%
<b>DPOs</b>		
Aetna	2.5%	
Assurant / Fortis	0.0%	
BeneCare	0.0%	
CIGNA	0.0%	
Community	0.0%	
Delta / Flagship	0.0%	
Dental Group of NJ	0.0%	
Group Dental Health Administrat	0.0%	
Healthplex	0.0%	
Horizon	-5.3%	

## SHBP Plan Year 2007 Dental Renewal

## Exhibit 2 - Enrollment Projections

**Observations:**

- (1) Total Active enrollment is increasing about 2% per year.
- (2) The Dental Expense Plan is growing about 5% per year.
- (3) Total DPO enrollment is decreasing about 0.5% per year.
- (4) Plan Year 2005 DPO enrollment is impacted by the termination of Unity which had 3% of total Dental Program enrollment.

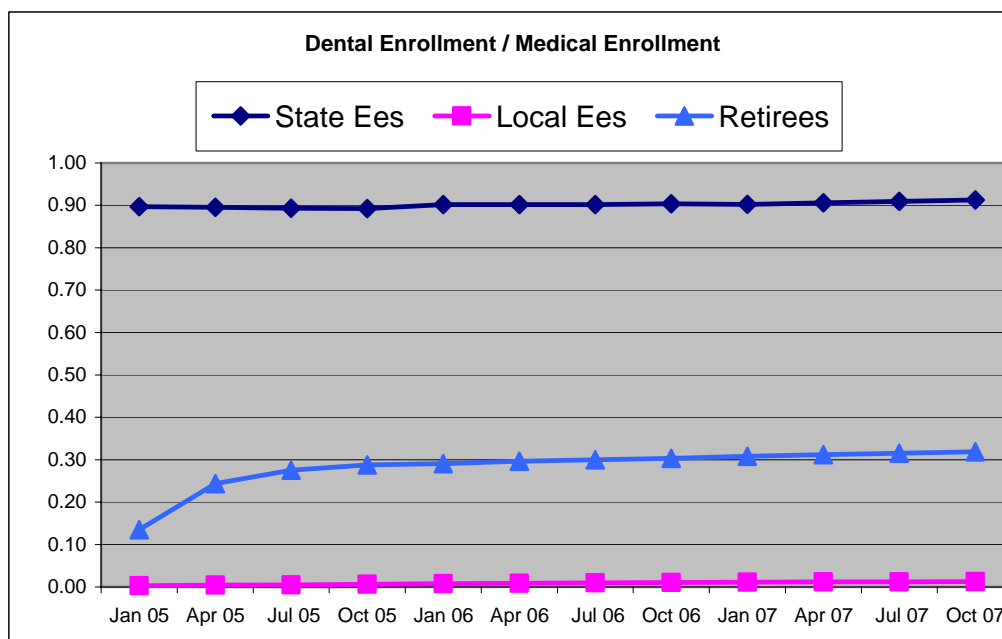
**Assumptions for Plan Year 2007 Covered Enrollment Change:**

Dental Expense Plan	5.2%
DPOs	-0.5%



## SHBP Plan Year 2007 Dental Renewal

### Exhibit 2 - Enrollment Projections

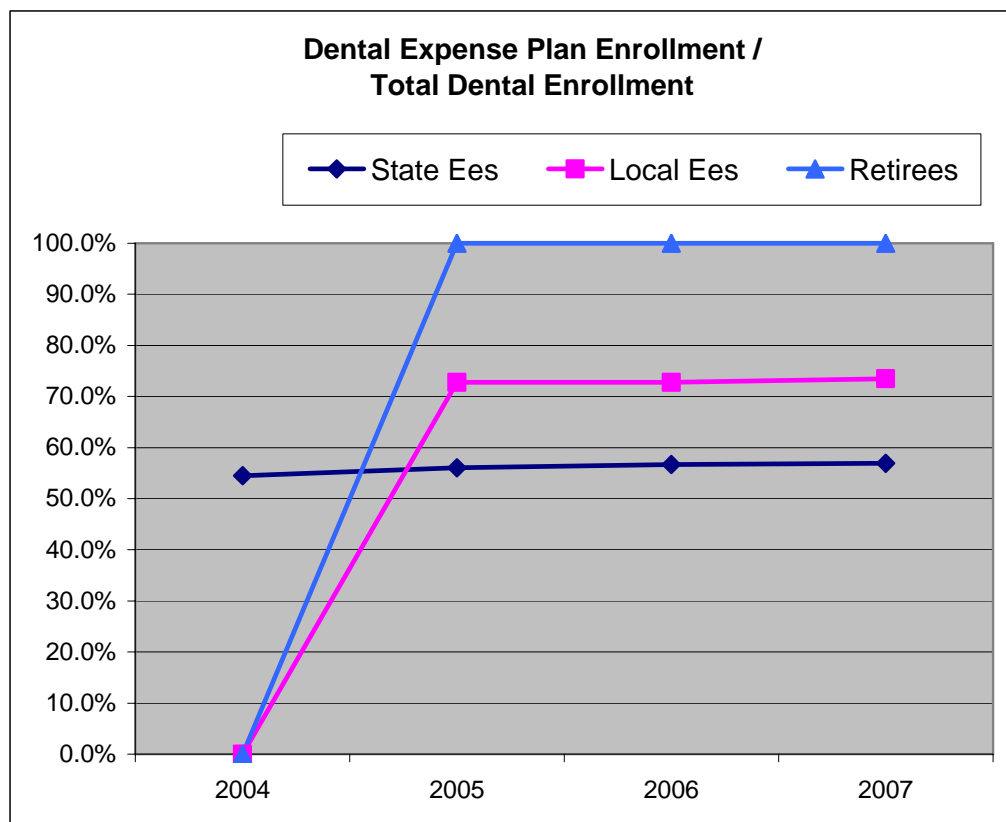


#### Observations:

- (1) 90% of State Employees are enrolled for Dental.
- (2) Dental participation for Active Local Employees is very, very small.
- (3) Retiree participation in the Dental Expense Plan has leveled off at about 30% of the Medical Plan enrollment.

#### Assumptions for Plan Year 2007 Enrollment

- (1) State Dental participation will remain at 90%.
- (2) Active Local Employer participation will stay at 1% of the medical enrollment.
- (3) Retiree participation will grow to 32% of medical enrollment by the end of Plan Year 2007.

**SHBP Plan Year 2007 Dental Renewal****Exhibit 2 - Enrollment Projections****Observations:**

- (1) Prior to Plan Year 2005, Dental was only available for State Active employees.
- (2) Local Actives have a much larger proportion of enrollment in the Dental Expense Plan than the State Actives.
- (3) The only option available to Retirees is the Dental Expense Plan.

**Assumptions for Plan Year 2007 Enrollment**

The distribution between the Dental Expense Plan and the DPOS will have minimal changes between Plan Years 2006 and 2007.

## SHBP Plan Year 2007 Dental Renewal

### Exhibit 2 - Enrollment Projections

#### Distribution of State DPO Active Employees

	2004	2005	2006	2007
<b>Plans with <u>Increasing</u> Share of DPO Employees</b>				
Aetna	25.3%	30.0%	31.2%	32.3%
Horizon	11.9%	13.6%	14.1%	14.5%
<b>Plans with almost <u>No Change</u></b>				
CIGNA	15.4%	16.6%	16.3%	16.2%
Flagship	4.7%	5.3%	5.4%	5.5%
Dental Group of NJ	0.2%	0.3%	0.3%	0.3%
Community Dental	3.8%	3.8%	3.9%	3.9%
Group Dental Admin	0.9%	0.8%	0.7%	0.7%
<b>Plans with <u>Decreasing</u> Share of DPO Employees</b>				
Assurant (Fortis)	6.1%	6.4%	5.8%	5.3%
HealthPlex	9.9%	9.5%	8.8%	8.3%
Benecare	14.0%	13.7%	13.4%	13.1%
<b>Terminated DPO</b>				
Unity	7.9%	0.0%	0.0%	0.0%
<b>Total DPO</b>	100.0%	100.0%	100.0%	100.0%

#### **Observations:**

- (1) Several plans had an increase in 2005 as a result of Unity termination.
- (2) On average, changes in the distribution of enrollment are very small, 1% or less.
- (3) The very small DPOs tend to have no change in their share of enrollment.

#### **Assumptions for Plan Year 2007 Enrollment**

Enrollment projections will be consistent with changes in 2004 through 2006, excluding the impact of the Unity termination.

**SHBP Plan Year 2007 Dental Renewal**  
**Exhibit 3 - Comparison of SHBP Trend with National Norms**

<b>State Active Ees</b>	<b>SHBP Experience / Projected</b>	<b>Aon Survey</b>	<b>SHBP - Aon Survey</b>
2002 to 2003 actual	7.2%	8.4%	-1.2%
2003 to 2004 actual	2.4%	7.6%	-5.2%
2004 to 2005 actual	1.4%	7.4%	-6.0%
2005 to 2006 estimated	6.2%	7.6%	-1.4%
2006 to 2007 projected	5.4%	7.1%	-1.7%

## SHBP Plan Year 2007 Dental Renewal

### Exhibit 4 - Financial Projections

	Total	State Actives	Local Actives	All Retirees
<b>Average Dental Subscribers</b>				
CY2005	87,534	57,017	455	30,062
CY2006	96,916	59,122	817	36,977
CY2007	101,548	60,469	946	40,133
<b>Incurred Dental claims</b>				
CY2005	\$ 63,649,000	\$ 45,758,000	\$ 402,000	\$ 17,489,000
CY2006	\$ 74,055,000	\$ 50,398,000	\$ 740,000	\$ 22,917,000
CY2007	\$ 83,572,000	\$ 54,330,000	\$ 903,000	\$ 28,339,000
<b>Administrative Fees</b>				
CY2005	\$ 1,658,000	\$ 1,108,000	\$ 9,000	\$ 541,000
CY2006	\$ 2,201,000	\$ 1,383,000	\$ 19,000	\$ 799,000
CY2007	\$ 2,373,000	\$ 1,459,000	\$ 23,000	\$ 891,000
<b>Investment Income</b>				
CY2005	\$ (468,000)	\$ (305,000)	\$ (2,000)	\$ (161,000)
CY2006	\$ (534,000)	\$ (326,000)	\$ (4,000)	\$ (204,000)
CY2007	\$ (576,000)	\$ (343,000)	\$ (5,000)	\$ (228,000)
<b>Total Cost = Claims + Fees + Interest</b>				
CY2005	\$ 64,839,000	\$ 46,561,000	\$ 409,000	\$ 17,869,000
CY2006	\$ 75,722,000	\$ 51,455,000	\$ 755,000	\$ 23,512,000
CY2007	\$ 85,369,000	\$ 55,446,000	\$ 921,000	\$ 29,002,000
<b>Total Premium</b>				
CY2005	\$ 68,281,000	\$ 51,040,000	\$ 430,000	\$ 16,811,000
CY2006	\$ 78,742,000	\$ 54,630,000	\$ 795,000	\$ 23,317,000
CY2007	\$ 86,435,000	\$ 55,883,000	\$ 924,000	\$ 29,628,000
<b>Gain (Loss)</b>				
CY2005	\$ 3,442,000	\$ 4,479,000	\$ 21,000	\$ (1,058,000)
CY2006	\$ 3,020,000	\$ 3,175,000	\$ 40,000	\$ (195,000)
CY2007	\$ 1,066,000	\$ 437,000	\$ 3,000	\$ 626,000
<b>2007 Renewal Increase</b>	<b>5.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>17.0%</b>

## SHBP Plan Year 2007 Dental Plan Renewal

### Exhibit 5 – Projection Assumptions

#### **Benefit Design Changes**

We are assuming that there will be no plan design changes for Plan Year 2007.

#### **Vendor Changes**

We are assuming no change in Dental vendors for Plan Year 2007.

#### **Member Contributions**

State Active Plans: There will be no change to the current requirements: Employees pay 50% of the Dental Expense plan premium, and 50% of the average DPO premium (same DPO contribution for all DPO vendors).

Local Employer Active Plans: There will be no change to the current requirements: Employees pay a maximum of 50% of premium for the Dental Expense Plan and for each DPO vendor. Actual contributions vary by Local Employer.

State and Local Employer Retiree Plans: There will be no change to current requirements: Retirees pay 100% of the premium.

#### **Incurred Basis**

Plan Year 2007 projected premiums will be designed to cover projected incurred costs for claims and expenses.

#### **Margin**

Employee Dental Expense Plan: Active Employees pay half the projected cost of the Dental Plan with no deficit recovery. However, the Employee Dental Expense Plan is in a surplus position, so no margin was included in their renewal rates.

DPO Plans: DPO rates have no margin, since there is no risk to the State in these programs.

Retiree Dental Expense Plan: Retirees pay 100% of the premium with no deficit recovery. Since the Retiree Plan is new as of January 1, 2005, there is no accumulated surplus. We are including a margin of 2% in the renewal rates.

### **Administrative Expenses**

Plan Year 2007 Dental Expense Plan premiums will include projected costs for the following administrative expenses:

- Aetna ASO fees,
- Investment income credit.

### **Enrollment Projections**

Based on historical enrollment patterns and discussions with the State, we are projecting the following enrollment for Plan Year 2007:

#### **Employee Dental Expense Plan**

60,500 Active Employees of the State Group  
900 Active Employees of the Local Employer Group

#### **DPO**

45,700 Active Employees of the State Group  
300 Active Employees of the Local Employer Group

#### **Retiree Dental Expense Plan**

11,400 Retired Employees of the State Group  
28,700 Retired Employees of the Local Employer Group

## Trend Rates

Trend assumptions were developed by comparing the SHBP historical trend with industry norms. We assumed that the SHBP trends would continue at levels lower than the industry norms for the Plan Year 2007 renewal. The trend assumption for Plan Year 2007 is 5.4%.

## Data Assumptions

Claims: We received a claim file from Aetna, which appears to be consistent with their Renewal reports, and we used this information in our renewal analysis.

Enrollment: We used billing counts for our exposure units in our renewal calculations.



### SHBP Plan Year 2007 Dental Renewal Exhibit 6 - DPO Quality Indicators

	Aetna DPO	Assurant Fortis	Benecare	CIGNA	Comm Dental	Dental Group of NJ	Delta/ Flagship	Grp Den Health Adm	Health- plex	Horizon
2004-2006 Enrollment Change	2,703	-154	-242	417	64	26	353	-66	-467	983
Plan Year 2006 Subscribers	14,026	2,677	6,172	7,397	1,787	115	2,449	328	4,043	6,316
Percent of Providers in Aetna's plan	100%	76%	40%	75%	13%	97%	75%	71%	88%	70%
Value Ratio	1.14	0.91	1.08	0.81	1.10	1.20	0.74	1.53	1.04	0.84
Number of NJ counties with access	21	19	17	20	1	2	20	5	16	20
Preventive Visits per Member	0.51	0.48	1.02	0.48	1.09	0.52	0.46	0.57	0.58	0.43
Current Premium Level / Average	0.97	0.97	1.14	0.99	1.09	0.91	0.97	0.99	0.97	0.97
<b>Requested Renewal</b>	<b>3.5%</b>	<b>0.0%</b>	<b>7.5%</b>	<b>0.0%</b>	<b>5.8%</b>	<b>5.0%</b>	<b>4.8%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-5.3%</b>
<b>Recommended Renewal Increase</b>	<b>2.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-5.3%</b>

**SHBP Plan Year 2007 Dental Renewal  
Exhibit 7 - Plan Year 2007 Monthly Premiums**

**EMPLOYEE DENTAL EXPENSE PLAN - #399**

SINGLE	\$41.34
Member & Spouse/Domestic Partner	\$71.83
FAMILY	\$117.53
PARENT & CHILD	\$87.06

**DENTAL PROVIDER ORGANIZATIONS (DPO)**

**HEALTHPLEX (DPO #307)**

**ASSURANT (DPO #308)**

**FLAGSHIP HEALTH SYSTEMS, INC. (DPO #312)**

SINGLE	\$20.67
Member & Spouse/Domestic Partner	\$35.91
FAMILY	\$58.75
PARENT & CHILD	\$43.52

**BENECARE (DPO #301)**

SINGLE	\$24.33
Member & Spouse/Domestic Partner	\$42.26
FAMILY	\$69.16
PARENT & CHILD	\$51.23

**COMMUNITY DENTAL (DPO #302)**

SINGLE	\$23.21
Member & Spouse/Domestic Partner	\$40.36
FAMILY	\$66.01
PARENT & CHILD	\$48.89

**CIGNA (DPO #305)**

SINGLE	\$21.17
Member & Spouse/Domestic Partner	\$36.81
FAMILY	\$60.21
PARENT & CHILD	\$44.62

**GROUP DENTAL HEALTH ADMINISTRATORS (DPO #306)**

SINGLE	\$21.06
Member & Spouse/Domestic Partner	\$36.59
FAMILY	\$59.88
PARENT & CHILD	\$44.36

**SHBP Plan Year 2007 Dental Renewal  
Exhibit 7 - Plan Year 2007 Monthly Premiums**

**DENTAL GROUP OF NEW JERSEY, INC. (DPO#314)**

<b>SINGLE</b>	<b>\$19.31</b>
<b>Member &amp; Spouse/Domestic Partner</b>	<b>\$33.59</b>
<b>FAMILY</b>	<b>\$54.93</b>
<b>PARENT &amp; CHILD</b>	<b>\$40.70</b>

**HORIZON DENTAL CHOICE (DPO #317)**

<b>SINGLE</b>	<b>\$19.57</b>
<b>Member &amp; Spouse/Domestic Partner</b>	<b>\$34.00</b>
<b>FAMILY</b>	<b>\$55.63</b>
<b>PARENT &amp; CHILD</b>	<b>\$41.21</b>

**AETNA DMO (DPO #319)**

<b>SINGLE</b>	<b>\$20.64</b>
<b>Member &amp; Spouse/Domestic Partner</b>	<b>\$35.91</b>
<b>FAMILY</b>	<b>\$58.74</b>
<b>PARENT &amp; CHILD</b>	<b>\$43.53</b>

**RETIREE DENTAL EXPENSE PLAN - #398**

<b>SINGLE</b>	<b>\$41.57</b>
<b>Member &amp; Spouse/Domestic Partner</b>	<b>\$82.02</b>
<b>FAMILY</b>	<b>\$106.87</b>
<b>PARENT &amp; CHILD</b>	<b>\$61.81</b>

**STATE EMPLOYEE CONTRIBUTIONS FOR  
DENTAL EXPENSE PLAN**

<b>SINGLE</b>	<b>\$20.67</b>
<b>Member &amp; Spouse/Domestic Partner</b>	<b>\$35.92</b>
<b>FAMILY</b>	<b>\$58.77</b>
<b>PARENT &amp; CHILD</b>	<b>\$43.53</b>

**STATE EMPLOYEE CONTRIBUTIONS FOR  
DPO PLANS**

<b>SINGLE</b>	<b>\$10.33</b>
<b>Member &amp; Spouse/Domestic Partner</b>	<b>\$18.07</b>
<b>FAMILY</b>	<b>\$29.44</b>
<b>PARENT &amp; CHILD</b>	<b>\$21.65</b>

**SHBP Plan Year 2007 Dental Renewal  
Exhibit 8 - May 2006 SHBP Enrollment**

	Number of Contracts				
	Single	Member+Spouse/ Domestic Partner	Family	Parent + Child(ren)	Total
<b>Dental Expense #399</b>	<b>STATE ACTIVES</b>				
	<b>20,896</b>	<b>13,390</b>	<b>18,576</b>	<b>6,185</b>	<b>59,047</b>
<b>DPO Plans</b>					
Benecare #301	1,676	1,101	2,236	1,090	6,102
Community Dental #302	409	268	647	447	1,769
CIGNA #305	2,840	1,141	2,168	1,211	7,359
Group Health Adm. #306	136	54	86	47	323
HealthPlex #307	1,342	675	1,079	903	3,999
Fortis #308	753	385	879	595	2,612
Flagship #312	912	386	684	451	2,433
Dental Group of NJ #314	53	12	27	24	116
Horizon #317	2,451	858	1,804	1,180	6,293
Aetna #319	5,226	1,987	4,207	2,565	13,985
<b>Total DPOs</b>	<b>15,796</b>	<b>6,866</b>	<b>13,815</b>	<b>8,513</b>	<b>44,988</b>
<b>Total</b>	<b>36,692</b>	<b>20,255</b>	<b>32,391</b>	<b>14,698</b>	<b>104,035</b>

	LOCAL ACTIVES				
	Single	Member+Spouse/ Domestic Partner	Family	Parent + Child(ren)	Total
<b>Dental Expense #399</b>	<b>246</b>	<b>189</b>	<b>311</b>	<b>50</b>	<b>796</b>
<b>DPO Plans</b>					
Benecare #301	13	8	16	6	43
Community Dental #302	3	0	1	1	5
CIGNA #305	6	4	10	5	25
Group Health Adm. #306	0	2	0	0	2
HealthPlex #307	2	1	1	1	5
Fortis #308	4	0	2	4	10
Flagship #312	6	4	2	4	16
Dental Group of NJ #314	0	2	0	0	2
Horizon #317	16	14	24	4	58
Aetna #319	68	49	88	34	239
<b>Total DPOs</b>	<b>118</b>	<b>84</b>	<b>144</b>	<b>59</b>	<b>405</b>
<b>Total</b>	<b>364</b>	<b>273</b>	<b>455</b>	<b>109</b>	<b>1,201</b>

	STATE RETIREES				
	Single	Member+Spouse/ Domestic Partner	Family	Parent + Child(ren)	Total
<b>Dental Expense #399</b>	<b>5,395</b>	<b>3,294</b>	<b>754</b>	<b>425</b>	<b>9,868</b>
	LOCAL RETIREES				
	Single	Member+Spouse/ Domestic Partner	Family	Parent + Child(ren)	Total
<b>Dental Expense #399</b>	<b>13,904</b>	<b>10,777</b>	<b>1,351</b>	<b>650</b>	<b>26,682</b>
	TOTAL RETIREES				
	Single	Member+Spouse/ Domestic Partner	Family	Parent + Child(ren)	Total
<b>Dental Expense #399</b>	<b>19,299</b>	<b>14,071</b>	<b>2,105</b>	<b>1,075</b>	<b>36,550</b>